MINTH
敏實集團

MINTH GROUP LIMITED
敏 實 集 團 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 425)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2020

FINANCIAL HIGHLIGHTS

- Revenue decreased by approximately 20.9% to approximately RMB4,849 million (the same period in 2019: approximately RMB6,130 million).
- Gross profit margin was approximately 26.6% (the same period in 2019: approximately 32.4%).
- Profit attributable to owners of the Company decreased by approximately 58.6% to approximately RMB370 million (the same period in 2019: approximately RMB894 million).
- Basic earnings per share amounted to approximately RMB0.321 (the same period in 2019: approximately RMB0.779).

INTERIM RESULTS

The board (the "Board") of directors (the "Directors") of Minth Group Limited (the "Company") is pleased to announce the unaudited consolidated financial results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2020 (the "Review Period"), together with the comparative figures for the six months ended 30 June 2019 (the "same period in 2019") as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2020

		Six months ended 30 June	
		2020	2019
		(Unaudited)	(Unaudited)
	Notes	***RMB'000***	*RMB'000*
Revenue	*3*	**4,849,154**	6,130,044
Cost of sales		**(3,561,422)**	(4,142,697)
Gross profit		**1,287,732**	1,987,347
Investment income		**125,536**	48,342
Other income		**85,945**	98,716
Other gains and losses	*4*	**(42,551)**	49,971
Distribution and selling expenses		**(198,602)**	(255,024)
Administrative expenses		**(427,051)**	(457,771)
Research expenditures		**(251,362)**	(298,545)
Interest expenses		**(119,332)**	(76,637)
Share of profits (losses) of joint ventures		**4,871**	(1,168)
Share of losses of associates		**(4,103)**	(10,099)
Profit before tax		**461,083**	1,085,132
Income tax expense	*5*	**(67,291)**	(151,587)
Profit for the period	*6*	**393,792**	933,545
Other comprehensive income:			
Items that may be subsequently reclassified to profit or loss:			
Exchange differences arising on translation of financial statements of foreign operations		**9,733**	11,315
Fair value gain on:			
debt instruments measured at fair value through other comprehensive income		**1,513**	1,886
Other comprehensive income for the period (net of income tax)		**11,246**	13,201
Total comprehensive income for the period		**405,038**	946,746

	Note	Six months ended 30 June **2020** **(Unaudited)** ***RMB'000***	 2019 (Unaudited) *RMB'000*
Profit for the period attributable to:			
Owners of the Company		**369,808**	894,123
Non-controlling interests		**23,984**	39,422
		393,792	933,545
Total comprehensive income for the period attributable to:			
Owners of the Company		**380,361**	906,307
Non-controlling interests		**24,677**	40,439
		405,038	946,746
Earnings per share	*8*		
Basic		**RMB0.321**	RMB0.779
Diluted		**RMB0.320**	RMB0.776

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2020

	Notes	At 30 June 2020 (Unaudited) *RMB'000*	At 31 December 2019 (Audited) *RMB'000*
Non-current assets			
Property, plant and equipment		**9,263,483**	8,748,976
Right-of-use assets		**919,645**	988,425
Goodwill		**98,030**	98,030
Other intangible assets		**52,549**	56,554
Interests in joint ventures		**95,065**	90,194
Interests in associates		**120,762**	124,865
Deferred tax assets		**192,472**	187,079
Prepayment for acquisition of property, plant and equipment		**83,239**	57,391
Contract assets	*9B*	**657,749**	576,542
Contract costs		**123,388**	128,891
Plan assets		**1,942**	1,942
		11,608,324	11,058,889
Current assets			
Inventories		**2,075,244**	2,039,976
Loan receivables		**6,000**	6,000
Property under development		**18,598**	19,308
Trade and other receivables	*9A*	**3,783,849**	4,315,920
Contract assets	*9B*	**185,714**	234,230
Derivative financial assets		**631**	3,204
Debt instruments at fair value through other comprehensive income		**110,371**	256,647
Pledged bank deposits		**397,523**	21,267
Bank balances and cash		**6,249,434**	5,687,234
		12,827,364	12,583,786

	Note	At 30 June 2020 (Unaudited) *RMB'000*	At 31 December 2019 (Audited) *RMB'000*
Current liabilities			
Trade and other payables	*10*	**2,606,677**	3,436,692
Tax liabilities		**67,298**	120,410
Borrowings		**6,073,984**	4,138,998
Lease liabilities		**4,217**	5,311
Contract liabilities		**81,517**	111,783
Derivative financial liabilities		**962**	2,640
		8,834,655	7,815,834
Net current assets		**3,992,709**	4,767,952
Total assets less current liabilities		**15,601,033**	15,826,841
Capital and reserves			
Share capital		**115,343**	115,227
Share premium and reserves		**13,929,916**	14,209,718
Equity attributable to owners of the Company		**14,045,259**	14,324,945
Non-controlling interests		**386,538**	418,749
Total equity		**14,431,797**	14,743,694
Non-current liabilities			
Borrowings		**100,000**	–
Deferred tax liabilities		**109,493**	94,944
Retirement benefit obligations		**16,537**	16,537
Lease liabilities		**16,711**	93,568
Derivative financial liabilities		**26,020**	–
Deferred income		**15,299**	13,653
Financial liability at fair value through profit or loss ("FVTPL")		**819,300**	800,000
Other long-term liabilities		**65,876**	64,445
		1,169,236	1,083,147
		15,601,033	15,826,841

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2020

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 ("HKAS 34") "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The condensed consolidated financial statements are presented in Renminbi ("RMB"), which is the same as the functional currency of the Company.

1A. SIGNIFICANT EVENTS AND TRANSACTIONS IN THE CURRENT INTERIM PERIOD

The outbreak of COVID-19 and the subsequent quarantine measures as well as the travel restrictions imposed by many countries have had negative impacts to the global economy, business environment and directly and indirectly affect the operations of the Group. The Group temporarily stopped its manufacturing activities in certain of its production facilities during the current interim period due to mandatory government quarantine measures in an effort to contain the spread of the pandemic, and has resumed their production by the end of the reporting period. On the other hand, the government has announced some financial measures and supports for corporates to overcome the negative impact arising from the pandemic on the Group. As such, the financial positions and performance of the Group were affected in different aspects, including reduction in revenue and production as well as decrease in gross profit margin due to fixed production overheads during the close-down period, and government grants in respect of COVID-19 related subsidies.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as appropriate.

Other than additional accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standards ("HKFRSs"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2020 are the same as those presented in the Group's annual financial statements for the year ended 31 December 2019.

Application of amendments to HKFRSs

In the current interim period, the Group has applied the Amendments to References to the Conceptual Framework in HKFRS Standards and the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

The application of the Amendments to References to the Conceptual Framework in HKFRS Standards and amendments to HKFRSs in the current period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

3. SEGMENT INFORMATION

In prior year, information reported to the executive directors of the Company, being the chief operating decision maker ("CODM"), for the purposes of resource allocation and assessment of segment performance focuses on goods or services delivered or provided to the Group's customers in different geographic locations.

In the current period, the Group reorganised its internal reporting structure and information reported to the CODM changes to focus on types of goods or services delivered or provided, which resulted in changes to the composition of its reportable segments.

The segment information for the six months ended 30 June 2019 is not restated to reflect the change as the directors of the Company are of the view that such information is not available and the cost to develop it would be excessive. The segment information for the six months ended 30 June 2020 are disclosed on both the old basis and the new basis of segmentation to enable users of these condensed consolidated financial statements to evaluate the nature and financial effects of the business activities in which the Group engages and the economic environments in which the Group operates.

The following is an analysis of the Group's revenue and results by reportable segments:

For the six months ended 30 June 2020 (unaudited)

By types of goods or services delivered or provided:

	Metal & Trim	Plastic	Aluminum	Battery-housing	Others	Elimination	Consolidated
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Segment revenue	**2,066,466**	**1,447,636**	**1,335,038**	**57,717**	**246,564**	**(304,267)**	**4,849,154**
Segment profit	**464,359**	**403,040**	**372,276**	**3,082**	**47,935**	**(2,960)**	**1,287,732**

By geographic locations of goods or services delivered or provided:

	The People's Republic of China (the "PRC")	North America	Europe	Asia Pacific	Consolidated
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Segment revenue	**2,828,611**	**955,997**	**847,920**	**216,626**	**4,849,154**
Segment profit	**791,423**	**243,836**	**193,744**	**58,729**	**1,287,732**

Reconciliation of segment profit to profit for the period:

Segment profit	**1,287,732**
Investment income	**125,536**
Other unallocated income and gains and losses	**43,394**
Unallocated expenses	**(877,015)**
Interest expenses	**(119,332)**
Share of profits of joint ventures	**4,871**
Share of losses of associates	**(4,103)**
Profit before tax	**461,083**
Income tax expense	**(67,291)**
Profit for the period	**393,792**

For the six months ended 30 June 2019 (unaudited)

	The PRC *RMB'000*	North America *RMB'000*	Europe *RMB'000*	Asia Pacific *RMB'000*	Consolidated *RMB'000*
Segment revenue	3,399,444	1,346,562	1,114,901	269,137	6,130,044
Segment profit	1,085,240	403,848	421,421	76,838	1,987,347

Reconciliation of segment profit to profit for the period:

Segment profit	1,987,347
Investment income	48,342
Other unallocated income and gains and losses	148,687
Unallocated expenses	(1,011,340)
Interest expenses	(76,637)
Share of losses of joint ventures	(1,168)
Share of losses of associates	(10,099)
Profit before tax	1,085,132
Income tax expense	(151,587)
Profit for the period	933,545

4. OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Net foreign exchange gains	**20,173**	1,954
Fair value changes of derivative financial instruments	**(24,158)**	(495)
Fair value changes of other financial assets at FVTPL	**41,357**	35,736
Impairment loss (recognised) reversed on trade and other receivables	**(21,858)**	195
Gain on deemed disposal of an associate	**–**	836
Write-down of inventories	**(10,873)**	–
(Loss) gain on disposal of property, plant and equipment	**(1,613)**	24,241
Impairment loss recognised on property, plant and equipment	**(45,579)**	(12,143)
Impairment loss recognised on intangible assets	**–**	(353)
Total	**(42,551)**	49,971

5. INCOME TAX EXPENSE

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Current tax:		
Hong Kong	**–**	–
PRC Enterprise Income Tax	**87,056**	156,438
Other jurisdictions	**5,365**	12,112
	92,421	168,550
Over provision in prior years:		
PRC Enterprise Income Tax	**(34,286)**	(46,803)
Deferred tax:		
Current period charge	**9,156**	29,840
	67,291	151,587

6. PROFIT FOR THE PERIOD

Profit for the period has been arrived at after charging (crediting) the following items:

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Depreciation of property, plant and equipment	**393,939**	361,579
Depreciation of right-of-use assets	**15,015**	12,087
Amortisation of other intangible assets (included in cost of sales, administrative expenses and research expenditures)	**14,440**	14,213
Total depreciation and amortisation	**423,394**	387,879
Cost of inventories recognised	**3,561,422**	4,142,697
Write-down of inventories	**46,169**	44,067
Reversal of inventories provision	**(1,162)**	(4,353)

During the current interim period, pursuant to the notice released by the relevant PRC authority, certain domestic subsidiaries of the Company have been fully or partially waived to undertake a number of social securities including endowment insurance, unemployment insurance and employment injury insurance, totaling approximately RMB48,018,000.

7. DIVIDENDS

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Dividends recognised as distribution during the period:		
2019 Final – HK$0.656 (2018: final dividend HK$0.661) per share	**694,445**	667,384

On 19 June 2020, a dividend of HK$0.656 per share was paid to shareholders as the final dividend for 2019 (on 20 June 2019, a dividend of HK$0.661 per share was paid to shareholders as the final dividend for 2018).

The directors of the Company have determined that no dividend will be proposed in respect of the interim period (2019 interim period: nil).

8. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Earnings		
Earnings for the purposes of basic and diluted earnings per share (profit for the period attributable to owners of the Company)	**369,808**	894,123
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,150,597**	1,147,318
Effect of dilutive share options *(note)*	**3,361**	5,478
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,153,958**	1,152,796

Note: Certain outstanding share options of the Company have not been included in the computation of diluted earnings per share neither for the six months ended 30 June 2020 nor for the six months ended 30 June 2019 as they did not have dilutive effect on the Company's earnings per share because the exercise prices of these options were higher than the average market prices of the Company's shares during the current and prior interim period.

9A. TRADE AND OTHER RECEIVABLES

	At 30 June 2020 (Unaudited) *RMB'000*	At 31 December 2019 (Audited) *RMB'000*
Trade receivables		
– associates	**12,701**	15,292
– joint ventures	**7,221**	7,593
– non-controlling shareholders of subsidiaries	**–**	38
– other related parties*	**–**	342
– third parties	**2,589,877**	3,324,966
Less: allowance for credit losses	**(26,786)**	(16,258)
	2,583,013	3,331,973
Other receivables	**179,885**	182,487
Less: allowance for credit losses	**(1,769)**	(1,769)
	178,116	180,718
	2,761,129	3,512,691
Prepayments to suppliers	**732,656**	567,915
Prepaid expense	**29,147**	22,398
Value-added tax recoverable	**190,187**	137,015
Insurance recoverables for loss of property, plant and equipment	**–**	24,403
Interest receivable	**70,730**	51,498
Total trade and other receivables	**3,783,849**	4,315,920

* The companies are those in which Mr. Chin Jong Hwa ("Mr. Chin") and his family have control.

The Group normally grants a credit period of 60 days to 90 days to customers effective from the date when the goods are delivered and accepted by customers. The following is an aged analysis of trade receivables net of allowance for credit losses presented based on invoice date at the end of the reporting period, which approximated the respective revenue recognition date:

	At 30 June 2020 (Unaudited) ***RMB'000***	At 31 December 2019 (Audited) *RMB'000*
Age		
0–90 days	**2,209,831**	3,012,651
91–180 days	**206,933**	230,558
181–365 days	**150,095**	11,951
1–2 years	**10,599**	73,261
Over 2 years	**5,555**	3,552
	2,583,013	3,331,973

9B. CONTRACT ASSETS

	At 30 June 2020 (Unaudited) ***RMB'000***	At 31 December 2019 (Audited) *RMB'000*
Moulds development	**843,463**	810,772
Current	**185,714**	234,230
Non-current	**657,749**	576,542

The contract assets are in relation to the Group's right to consideration for work completed but not billed yet. The contract assets are transferred to trade receivables at the time the rights to consideration become unconditional as stipulated in the relevant contracts.

10. TRADE AND OTHER PAYABLES

	At 30 June 2020 (Unaudited)	At 31 December 2019 (Audited)
	RMB'000	*RMB'000*
Trade payables		
– associates	**31,490**	38,749
– joint ventures	**3,785**	6,933
– non-controlling shareholders of subsidiaries	**5,010**	8,126
– other related parties*	**43,475**	63,942
– third parties	**1,371,085**	1,796,868
	1,454,845	1,914,618
Bill payables	**251,994**	228,097
Other payables		
– associates	**33**	227
– joint ventures	**30,083**	12
– non-controlling shareholders of subsidiaries	**8,963**	26,586
– other related parties*	**–**	21
	39,079	26,846
	1,745,918	2,169,561
Payroll and welfare payables	**175,970**	481,355
Consideration payable for acquisition of property, plant and equipment	**277,480**	231,757
Technology support service fees payable	**15,863**	5,985
Freight and utilities payable	**31,337**	87,953
Value-added tax payable	**62,727**	48,218
Interest payable	**10,291**	8,927
Deposits received	**1,246**	5,888
Others	**285,845**	397,048
Total trade and other payables	**2,606,677**	3,436,692

* The companies are those in which Mr. Chin and his family have control.

The following is an aged analysis of trade payables presented based on invoice date at the end of the reporting period:

	At 30 June 2020 (Unaudited) *RMB'000*	At 31 December 2019 (Audited) *RMB'000*
Age		
0–90 days	**1,233,704**	1,748,184
91–180 days	**95,652**	79,500
181–365 days	**85,071**	43,131
1–2 years	**26,838**	37,720
Over 2 years	**13,580**	6,083
	1,454,845	1,914,618

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

During the Review Period, the production and sales of China's passenger vehicles were approximately 7,754,000 units and approximately 7,873,000 units, respectively, representing a year-on-year decrease of approximately 22.5% and approximately 22.4%, respectively. Under the impact of the unprecedented coronavirus disease 2019 ("COVID-19") pandemic as well as other factors, the overall performance of China's automobile market was worse than the expectation at the start of the year. As to segment markets, the production and sales of sedans declined by approximately 25.9% and approximately 26.0% respectively as compared to the same period in 2019. SUV models recorded year-on-year decreases in production and sales of approximately 14.6% and approximately 14.9% respectively, and the production and sales of MPV models decreased by approximately 48.1% and approximately 45.7% respectively. During the Review Period, sales of luxury cars outperformed the general market and became a highlight amidst a weak market. Japanese and German OEMs increased significantly in market share as compared to the same period in 2019, while the market share of American and Korean OEMs remained flat as compared to the same period in 2019. French OEMs continued to lose market share. Chinese OEMs suffered the most serious decrease in market share in passenger vehicles, with a decrease of approximately three percentage points as compared to the same period in 2019. Production and sales of new energy vehicles ("NEVs") amounted to approximately 397,000 units and approximately 393,000 units, representing a decrease of approximately 36.5% and approximately 37.4% respectively as compared to the same period in 2019. Despite a general lacklustre performance, there appears to be a restorative growth trend since March 2020.

According to LMC Automotive, a third-party research institution, global sales of light vehicles dropped by approximately 27.7% on a year-on-year basis during the Review Period due to the impact of the global COVID-19 pandemic, with all major markets recording a severe double-digit decline. Among mature markets, sales in the US market were approximately 6,416,000 units, registering a year-on-year decrease of approximately 23.7%, and the sales of passenger vehicles in the Western European market were approximately 5,195,000 units, representing a year-on-year decrease of approximately 40.3%. Sales in the Japanese market were approximately 2,178,000 units, representing a year-on-year decrease of approximately 19.9%. Among major emerging markets, Brazil, Thailand and India faced serious market decline, with the sales of passenger vehicles in the Brazilian and Indian markets decreasing by approximately 40.2% and approximately 48.6% respectively on a year-on-year basis, and sales of light vehicles in the Thai market dropping by approximately 37.3% on a year-on-year basis. Furthermore, sales of light vehicles in Mexico and Russia descended by approximately 31.9% and approximately 23.3% respectively on a year-on-year basis.

COMPANY OVERVIEW

The Group is primarily engaged in the professional design, manufacture and sales of trims, decorative parts, body structural parts, roof racks, battery housing and other related auto parts. The Group has its main manufacturing bases in China, the US, Mexico, Thailand and Germany, it also built new production facilities in Serbia and the UK, which are about to kick off mass production, and it's planning to set up plant in Czech Republic. At the same time, the Group is supported by its research and development ("R&D"), sales and design centres in China, Germany, the US, Japan and Korea, which enable it to fully leverage on the geographic proximity to facilitate its development of new products as well as market expansion. With the ongoing growth and expansion, the Group is able to serve major automotive markets across the globe, and to understand and meet the growing demand from its customers.

To further facilitate the Group's global strategy and layout of its products, realize leadership in technology, expedite the fostering of its global talent pool, and build core competitiveness of its products in the global markets, the Group has completed the restructuring of its product business units ("BU"), with four BUs, including plastic products, aluminium products, metal and trim products and battery housing, which are all in operation. The efforts were intended to integrate the development and production of the products to improve operational efficiency of the Group. Meanwhile, the Group made optimising adjustments to its product planning and production capacity in consideration of actual demands in its global business development plans. Products already in mass production were given priority during optimisation process to balance the Group's production capacity among its global production bases to improve its adaptability to volatile external circumstances.

During the Review Period, the Group continued to resolutely implement the Minth Operation Excellence System ("MOS") (敏實卓越運營系統), in particular emphasising the width and depth of its practical realization in the Group's manufacturing plants in China, Thailand, and Mexico. The Group used the cost management pillar to improve the cost deployment matrix, so as to analyse in detail and effectively reduce wastes and losses incurred in the course of operation. During the Review Period, in respect of the application and standardisation of tools, the Group completed the implementation in the reaction stage, and started the roll-out in the preventive stage in certain BUs. By continuously utilising MOS as assessment standard, the Group promoted communication and appraisal among its factories from seven perspectives including management, "environment/quality/safety", cost, human resources, production excellence, logistics and supply chain. Meanwhile, taking battery housing BU as a pilot site, the Group specified evaluation criteria toward primary-stage product management to reduce the risks and costs incurred before the product enters mass production, in order to facilitate the Group to realize the standardisation and integration of MOS globally.

During the Review Period, the Group continued to popularise its new products, new technologies and new materials to the customers. The R&D and sales teams liaised with customers on technical solutions, and pushed forward the business expansion for over ten new product offerings such as aluminium door frame, battery housing, and radome, with an aim to assure continual growth in the Group's future revenue. Currently, the Group's development of aluminium battery housing, aluminium door frame, radome, active grille shutter, innovative front face and door system, is proceeding smoothly. Furthermore, through the application of advanced production technology, the upgrading of existing production model and the optimisation of processing techniques, the competitive edges in cost and quality of the Group's traditional products were further improved for better coverage across different categories of customer and product.

During the Review Period, with a view to enhance its core competitive strengths in the digital era, the Group established the Digital Transformation Centre aiming to forge its digital platform and construct a forward-looking group management and production model, in turn accelerating its digital transformation. During the Review Period, the Group's Digital Transformation Centre assigned a digitalised factory project team responsible for the business planning and informational infrastructure of the Group's global factory system. Moreover, during the Review Period, the Group continued to appoint professional consultants to further refresh and promote the application of SAP project, aiming to create a globally integrated information platform and lay a good foundation for the globalisation and agile operation of the Group.

During the Review Period, third-party partners were introduced for the top-level design projects of Future Factory of the Group, of which the first phase has already been accomplished. In terms of intelligent manufacturing of Future Factory, the Group focuses on flexibility, digitalisation and intelligence, in order to promote comprehensive enhancement in aspects including workshops, layout, logistics, production technology, production management and safety and environmental protection; in terms of intelligent industrial parks, the Group takes the most advanced technologies to bring about the best human-centred experience as the core to construct a brand-new industrial ecology featuring the beauty of intelligent manufacturing, humanistic care and eco-friendliness, heralding the Group towards digitalisation transformation and upgrade eventually.

During the Review Period, the Group kept deepening its engagement in the management of environment, health and occupational safety ("EHS") based on its EHS system, to achieve the goal of "green manufacturing with intelligence and healthy development". During the Review Period, with unified deployment and uniform implementation across its BUs, the Group continuously strengthened its safety management, focused on on-site operations, mainly employed the management method of itemising key points and overseeing process to enhance the safety awareness of its employees and reinforce the management's awareness of risk identification to ensure operational safety. The Group introduced advanced treatment methods of sewage, emission and hazardous waste to reduce pollutant discharge and operating costs. The Group implemented a strict management and control on pollutant treatment facilities, and installed online real-time monitoring system for the effective operations of the pollutant treatment facilities to ensure the disposal of pollutants in compliance with applicable requirements. The Group paid more attention to its development and management on occupational health by perfecting the management of positions with occupational hazards and arranging occupational health check system to ensure the well-being of its employees.

During the Review Period, the Group engaged in COVID-19 pandemic prevention. The Group's EHS team oversaw the preparation, dispatch, and use of anti-pandemic supplies and the sanitisation of workspace in order to facilitate resumption of work and production as well as safeguard employees' health. Moreover, during the Review Period, the EHS team of the Group also conducted on-site evaluation for all its factories in China. By providing on-site training for operational staff, equipment personnel, production management staff, and factory managers, the overall ability of fire prevention and safe operation was improved, which further enhanced the Group's overall EHS performance, thus ensuring its safe and healthy operation.

While focusing on the development strategy during the Review Period, with reference to its control model and digitalisation reforms, the Group made corresponding planning to reinforce its capability of independent oversight in addition to its commitment to developing and implementing comprehensive risk-oriented internal control system and implementation standards. As the Group attaches great importance to the ability to deal with external risks, upgrades were planned for the informatisation of risk control and internal oversight which are integral parts of the Group's informational control and management, so as to exert more systematic and effective control over potential risks. During the Review Period, in accordance with the needs of organisational transformation, the Group revised the framework and procedures of authorisation, and reviewed the efficiency and effectiveness of process control and continued to optimise it. The Group improved the management method of internal control, and endlessly raised its risk control and management level so that potential risks were controlled within reasonably acceptable tolerance levels. The Group always ensures to maintain the independence of its internal audit function in terms of organisational structure, and allocates sufficient resources to support the performance of its duties. The Group continues to improve the efficiency, effectiveness and standardisation of internal audit work, constantly enhanced and supervised the overall risk management effectiveness of each functional department and operating unit, embedded risk management procedures to the daily operations and the core value chain of the Group, and made continuous improvement, particularly in areas such as procurement and supplier management, anti-fraud, compliance management, and authorisation management. In addition, the Group also closely monitored the improvements of the corresponding system and capability for preventing and combating bribery, and strengthened the cooperation with the police force and the industry players. These measures effectively safeguarded and promoted sustainable and steady development of the Group.

Business and Operation Layout

During the Review Period, the Group's revenue was approximately RMB4,849,154,000, representing a drop of approximately 20.9% as compared with approximately RMB6,130,044,000 in the same period in 2019. During the Review Period, the COVID-19 pandemic devastated the global automobile industry chain. As a result, the Group's OEM clients in China and overseas temporarily suspended production or curtailed their orders. During the Review Period, the domestic revenue of the Group was approximately RMB2,828,611,000, representing a decrease of approximately 16.8% as compared with approximately RMB3,399,444,000 in the same period in 2019. The Group's overseas revenue was approximately RMB2,020,543,000, and fell by approximately 26.0% as compared with approximately RMB2,730,600,000 in the same period in 2019.

During the Review Period, the new business intake of the Group had a steady growth. Among the Group's newly launched products, the battery housing BU experienced an exponential growth in business intake. During the Review Period, the Group was awarded by Volkswagen Group the battery housing orders for its MEB platform (Europe) and continued to expand its engagement in battery housing business with BMW, Renault, Nissan and Jaguar Land Rover, while winning orders from new customers such as CATL. The anticipated considerable orders from these business intakes made the Group one of the largest aluminium battery housing providers in the world. Meanwhile, the Group also continued to expand its business in radome and illuminated emblem with Japanese OEMs. Furthermore, innovative products of the Group such as the chassis structural parts and parts for door systems acquired qualification approvals and order inflows in succession, which further expanded the Group's product mix. For new customers and new markets, the Group also achieved breakthroughs including making its first entry to the supplier system of a US high-end electric vehicle brand and securing orders for aluminium trims. As to overseas business of its Japanese OEM customers, the Group successfully established foothold in a number of markets, and secured orders for roof racks from Toyota North America, door opening moulding from Toyota Japan, and rear quarter window assembly from Mazda Motor Japan.

As at 30 June 2020, the Group finished the establishment of aluminium battery housing production lines in various locations in China, which were gradually ready for mass production. As for the Group's Serbian plant, orderly deployment of production lines for its battery housing and aluminium products was in place as guided under its principles of building production lines with advanced technology and implementing strict environmental and safety management standards. New project transfers and facility installation are scheduled in the second half of 2020. Moreover, the commissioning of aluminium door frame production lines has been finished in the Group's UK and US plants, which are about to start mass production. Increasing global presence has enabled the Group to meet the demands for proximal supplies from its worldwide customers and further reinforced and consolidated its global competitiveness for aluminium products and battery housing.

During the Review Period, in response to the demand for the development and mass production of its products from worldwide customers and to improve its overall operational efficiency, the Group continued the forward-looking production planning of its major production facilities, and expanded and optimised the capacity in its major production facilities in China, Thailand, Mexico and the US based on local characteristics. During the Review Period, the Group partnered with Hella Group by establishing a joint venture to further exploit business opportunities (please refer to the Company's announcement dated 18 June 2020 for further details). During the Review Period, the Group's factories in Jiaxing, Huai'an, Wuhan, Guangzhou, and Tianjin, among others, won clients' recognition and were awarded for outstanding performance in product quality, cost, after-sales services and teamwork.

During the Review Period, the industry was confronted with a grimmer situation after being tumbled by the global COVID-19 pandemic. In order to mitigate the impact of the pandemic, the Group executed its epidemic control measures, including emergency response teams which were quickly established to formulate responsive measures, contingency plan, and disease control manuals for different departments. To prepare for resumption of work and production and customers' order adjustments, while working closely with the governmental authorities in the locations where it operates, the Group also pro-actively liaised with its customers and controlled supplier risks. Market changes were analysed internally, and contingency plans were devised with timely adjustment to strive for the resumption and smooth operation of supply chain and to overcome such trying times. As overseas operating environment became even more overwhelming, the Group strengthened its communications with overseas plants to collectively address the difficulties in resuming work and operation under the pandemic. Meanwhile, the Group coordinated its domestic and overseas production lines to optimise its production capacity, pooling in global resources to push steadily for overall resumption while ensuring safety and efficiency. Meanwhile, the Group also controlled its costs by streamlining its processes, enhancing efficiency and reactivating idle assets. The Group's effective responses ensured timely delivery and premium quality of its products and were highly appraised by its customers.

Research and Development

During the Review Period, the Group continuously made progress in research of product innovation and technological innovation. In relation to product innovation, the Group achieved significant improvement in products in terms of body weight reduction, intelligence and electrification. For battery housing products and chassis structural parts, given the breakthroughs having been increasingly made in independent research and development of solution and technology of battery housing products, the Group has been optimising its process of industrialisation with global advanced technological resources, achieving mass production of certain projects. The Group is now one of the largest suppliers of battery housing in the world. The Group was engaged in a number of international clients' formulation of concept solution and technological design for battery housing, and became a battery housing expert supplier of Groupe PSA. Furthermore, breakthroughs have also been continually achieved in 48V battery housing and battery module housing in terms of solution and technology, which secured multiple global orders for the Group. Meanwhile, the Group's R&D of innovative solution for battery housing, including solution for composite materials, is under way as planned. In addition, interim progress has been made in R&D of front collision module products, such as bumper beam, subframe, front longitudinal beam and shock tower bracket, from which the Group started to receive new orders.

In respect to product series of intelligent front face, besides the order intake of millimetre wave compatible emblem and illuminated emblem, the Group has established a joint venture with Hella Group for bringing each other complementary advantages and further exploring such realm, endeavouring to provide clients with a variety of bespoke solutions. Additionally, the Group has eagerly been delving into new ways of getting in and out of cars in relation to car doors with future technology and thoroughly planning the development of intelligent door sector that the Group's intelligent pillar has won recognition from a number of NEV OEMs. The Group has also steadily expanded the variety of mechanical and electrical products and recruited R&D talents in automotive electronics domestically and abroad in order to promote the global concurrent design of electric running board and roller shutter, expediting process of product regeneration.

During the Review Period, the Group constantly devoted a great deal of effort in the research of production technology, materials technology and surface treatment for, among others, integrated system of chassis structure, intelligent front face system, intelligent door system and automotive electronics module, filed patent applications in respect of a comprehensive range of advanced technologies and maintained communications on technological issues with OEMs for achieving business expansion.

In relation to technical and technological innovation, the Group engaged in the all-dimension optimisation of its metal forming technique, plastic moulding technique, bonding technique, technique of mechanical and electrical products. In particular, the Group sought breakthroughs in respect of several key technologies specific to modularization of chassis structural parts and integration of optoelectronic products, and independently conducted R&D of the most advanced technique and technology in the world with an aim to lead the Group's future development direction of technique and technology of innovative products. The Group also established a material R&D Centre to focus on lightweight and high-strength aluminium products as well as technology for aluminium structural profiles. Through cooperating with renowned universities in China and overseas and gaining resources from technology experts, the Group constantly enhanced its capabilities in processing technology and innovation of aluminium profiles and made an exceptional progress in research of aluminium profiles, filling a gap in the industry. The Group independently developed the aluminium structural profiles with various level of energy absorption, which have gained recognition from mainstream OEMs in Europe and became fully eligible for use in the battery housing of NEVs and aluminium body structural products, immensely enhancing the competitiveness of its new products. Meanwhile, the Group has also specified the development direction of polymeric materials, and conducted development of functional materials, composites and eco-friendly materials. For technology of surface treatment, the Group continues to optimise the techniques of chrome plating for plastic products, coating for plastic and metal products as well as aluminium anodizing.

During the Review Period, the Group's on-going standardisation of techniques and efforts on energy consumption reduction have achieved outstanding output, leading to a decrease in overall operating cost. As regards to technology for new-type surface treatment, the Group has accumulated experience and achievements in production process of, among others, special coating, physical vapor deposition and application of special film materials, putting itself in the best position for transformation of auto accessories in line with four disruptive trends. As for its R&D organisation, the Group has consolidated its R&D resources for innovation around the world, including Europe, North America and Japan, as well as streamlined global strategic cooperation resources for technology development. Through open door cooperation all over the world, by progressively consolidating global concurrent design capability of the product design centre and continuously improving overseas dispatch of staff and local design services, the Group has improved its network for global concurrent design with the support of master data management system and product data management system.

The Group makes much account of intellectual property rights, acquires certifications issued by intellectual property rights authorities, and actively applies for international patents. During the Review Period, 211 patent applications were filed by the Group for approval, among which 5 applications were related to international Patent Cooperation Treaty (PCT) patents. 76 patents were authorised by competent authorities during the Review Period.

FINANCIAL REVIEW

RESULTS

During the Review Period, the Group's revenue was approximately RMB4,849,154,000, representing a decrease of approximately 20.9% from approximately RMB6,130,044,000 in the same period of 2019. It was mainly attributable to the impacts of the global COVID-19 pandemic and the related anti-epidemic measures ("Impacts of the Global Pandemic") on the Group's overall business during the Review Period, resulting in a decline in revenue from both China and overseas regions.

During the Review Period, the profit attributable to owners of the Company was approximately RMB369,808,000, representing a decrease of approximately 58.6% from approximately RMB894,123,000 in the same period of 2019. It was mainly due to a decrease in gross profit as compared to the same period of last year, which was because of, among others, a substantially lower utilisation of production capacity as a result of a decline in the Group's revenue during the Review Period, as well as the relevant provisions for impairment made by the Group after carrying out prudent reassessment on the conditions of its assets in view of the Impacts of the Global Pandemic, which led to an increase in other losses as compared to the same period of last year. Meanwhile, the Group timely formulated and implemented several response measures against the pandemic, strictly control and reduce labour costs and other expenses, so as to mitigate the adverse impacts of the pandemic on the results of the Group.

Gross Profit

During the Review Period, the Group's overall gross profit margin was approximately 26.6%, representing a decrease of approximately 5.8% from approximately 32.4% in the same period of 2019. Such decrease was mainly due to a substantially lower utilisation of production capacity arising from the decline in the Group's revenue because of the Impacts of the Global Pandemic during the Review Period, while the Group still faced with the pressures resulting from ASP decline of products for old models and higher tariffs on China imposed by the U.S., causing a significant decrease in the overall gross profit margin. During the Review Period, the Group maintained its efforts on reducing procurement costs, and continuously improved production efficiency and production yield by adopting measures such as lean production and technology upgrade, in order to partially offset the decrease in overall gross profit margin.

Investment Income

During the Review Period, the investment income of the Group was approximately RMB125,536,000, representing an increase of approximately RMB77,194,000 from approximately RMB48,342,000 in the same period of 2019. It was mainly due to an increase in interest income.

Other Income

During the Review Period, the other income of the Group amounted to approximately RMB85,945,000, representing a decrease of approximately RMB12,771,000 from approximately RMB98,716,000 in the same period of 2019. It was mainly attributable to a decrease in government grants related to income.

Other Gains and Losses

During the Review Period, the Group's other gains and losses amounted to a net loss of approximately RMB42,551,000, representing a decrease of approximately RMB92,522,000 as compared to the net gain of approximately RMB49,971,000 in the same period of 2019. It was mainly attributable to the relevant provisions for impairment made by the Group during the Review Period after carrying out prudent reassessment on the conditions of its assets in view of the Impacts of the Global Pandemic.

Distribution and Selling Expenses

During the Review Period, the Group's distribution and selling expenses were approximately RMB198,602,000, representing a decrease of approximately RMB56,422,000 from approximately RMB255,024,000 in the same period of 2019. It accounted for approximately 4.1% of the Group's revenue, representing a decrease of approximately 0.1% from approximately 4.2% in the same period of 2019. It was mainly attributable to the strict control on labour costs and relevant expenses by the Group in response to the adverse impacts caused by the global pandemic during the Review Period, as well as the decrease in freight expenses in line with the decline in revenue from overseas.

Administrative Expenses

During the Review Period, the administrative expenses of the Group amounted to approximately RMB427,051,000, representing a decrease of approximately RMB30,720,000 from approximately RMB457,771,000 in the same period of 2019. It accounted for approximately 8.8% of the Group's revenue, representing an increase of approximately 1.3% from approximately 7.5% in the same period of 2019. It was mainly attributable to the increase in proportion of fixed expenses (including depreciation and amortisation) to the revenue as compared to that in the same period of last year as the Group's revenue decreased during the Review Period due to the Impacts of the Global Pandemic. Meanwhile, the Group adopted various measures in a proactive manner to strictly control labour costs and relevant expenses.

Research Expenditures

During the Review Period, the research expenditures of the Group amounted to approximately RMB251,362,000, representing a decrease of approximately RMB47,183,000 from approximately RMB298,545,000 in the same period of 2019. It accounted for approximately 5.2% of the Group's revenue, representing an increase of approximately 0.3% from approximately 4.9% in the same period of 2019. It was mainly attributable to a smaller decrease rate of research expenditures as compared to that of revenue. During the Review Period, the Group continued to recruit high-level R&D personnel as appropriate in an effort to enhance R&D capabilities to maintain its market competitiveness and sustainable development, as well as to continuously promote R&D on battery-housing and other innovative products.

Share of Profits (Losses) of Joint Ventures

During the Review Period, the Group's share of profits (losses) of joint ventures was a net profit of approximately RMB4,871,000, representing an increase of approximately RMB6,039,000 from a net loss of approximately RMB1,168,000 in the same period of 2019, which was mainly attributable to an increase in profit from one of the joint ventures because of its commencement of mass production during the Review Period.

Share of Losses of Associates

During the Review Period, the Group's share of losses of associates amounted to approximately RMB4,103,000, representing a decrease of approximately RMB5,996,000 from approximately RMB10,099,000 in the same period of 2019. It was mainly attributable to the decrease in the Group's equity ratio in one of the loss-making associates at the end of 2019.

Income Tax Expense

During the Review Period, the Group's income tax expense was approximately RMB67,291,000, representing a decrease of approximately RMB84,296,000 from approximately RMB151,587,000 in the same period of 2019.

During the Review Period, the effective tax rate was approximately 14.6%, representing an increase of approximately 0.6% from approximately 14.0% in the same period of 2019.

Profits Attributable to Non-controlling Interests

During the Review Period, the Group's profits attributable to non-controlling interests were approximately RMB23,984,000, representing a decrease of approximately RMB15,438,000 from approximately RMB39,422,000 in the same period of 2019. It was mainly attributable to the fact that the net profit of non-wholly owned subsidiaries decreased during the Review Period as compared to that in the same period of last year.

Liquidity and Financial Resources

As of 30 June 2020, the Group's total amount of bank balances and cash and pledged bank deposits is approximately RMB6,646,957,000, representing an increase of approximately RMB938,456,000 as compared to approximately RMB5,708,501,000 as of 31 December 2019. As of 30 June 2020, the Group's low-cost borrowings totally amounted to approximately RMB6,173,984,000, among which the equivalent of approximately RMB3,010,930,000, approximately RMB1,711,115,000, approximately RMB1,011,684,000, approximately RMB240,965,000, approximately RMB151,797,000 and approximately RMB47,493,000 were denominated in RMB, US Dollar ("USD"), Euro ("EUR"), Hong Kong Dollar ("HKD"), Thai Baht ("THB") and Great Britain Pound respectively, representing an increase of approximately RMB2,034,986,000 as compared to approximately RMB4,138,998,000 as of 31 December 2019. It was mainly attributable to the borrowings which were planned ahead by the Group to ensure the sufficiency of cashflow for the Group in response to the uncertainties caused by the spread of the global pandemic.

During the Review Period, the net cash flow from the Group's operating activities was approximately RMB567,848,000, representing a decrease by approximately RMB651,389,000 as compared to approximately RMB1,219,237,000 in the same period of 2019, which was mainly attributable to a reduction in operating cash inflow in line with the decline in the Group's results as compared to that in the same period of last year under the Impacts of the Global Pandemic, coupled with an increase in relevant inventory reserves to cope with uncertainties of the global pandemic and avoid the risk of rising prices for raw materials.

Trade receivables turnover days were approximately 104 days, which were 18 days longer than approximately 86 days for the same period of 2019. This was mainly due to the fact that the Group's revenue decreased under the impacts of pandemic during the Review Period as compared to that in the same period of last year, while the opening balance of trade receivables increased as compared to that of 2019 and the decrease rate of the average balance of trade receivables was lower than that of revenue during the Review Period.

Trade payables turnover days were approximately 87 days, increased by approximately 8 days from approximately 79 days for the same period of 2019, which was mainly attributable to the extended supplier payment cycle due to the Group's active negotiations with the suppliers and the changes in settlement methods towards the suppliers under the impacts of the pandemic.

Inventory turnover days were approximately 105 days, extended by approximately 19 days from approximately 86 days for the same period of 2019, which was mainly attributable to the decrease in revenue as compared to that in the same period of last year as affected by the pandemic and the increase in relevant safety stock in response to the uncertainties caused by the global pandemic, as well as the increase in the Group's inventory reserves to avoid the risk of rising prices of raw materials.

The Group's current ratio was approximately 1.5 as of 30 June 2020, decreased by approximately 0.1 from approximately 1.6 as of 31 December 2019. As of 30 June 2020, the Group's gearing ratio was approximately 28.9% (31 December 2019: approximately 21.2%), which was a percentage based on the interest bearing borrowings divided by total assets.

Note: The calculation methods for the above indicators are the same as those set out in the Company's prospectus dated 22 November 2005.

The Group's capital demands had no particular seasonality features.

COMMITMENTS

	At 30 June 2020 (Unaudited) *RMB'000*	At 31 December 2019 (Audited) *RMB'000*
Capital expenditure contracted for but not provided in the condensed consolidated financial statements in respect of:		
Acquisition of property, plant and equipment	**747,501**	333,316

INTEREST RATE AND FOREIGN EXCHANGE RISKS

As of 30 June 2020, the balance of the Group's bank borrowings was approximately RMB6,173,984,000, of which approximately RMB2,378,497,000 was bearing fixed interest rates, and approximately RMB3,795,487,000 was bearing floating interest rates. These borrowings had no seasonality features. In addition, approximately RMB2,187,950,000 of the borrowings was denominated in currencies other than the functional currencies of the Group's related entities, of which the equivalent of approximately RMB987,005,000, approximately RMB959,980,000 and approximately RMB240,965,000 were denominated in EUR, USD and HKD respectively.

The Group's cash and cash equivalents are mainly denominated in RMB and USD. Remittance of funds out of the PRC is subject to the foreign exchange control restrictions imposed by the Chinese government.

As of 30 June 2020, the Group's cash and cash equivalents denominated in currencies other than the functional currencies amounted to approximately RMB348,498,000, of which approximately RMB187,809,000 was denominated in USD, approximately RMB110,272,000 was denominated in EUR, approximately RMB24,215,000 was denominated in Japanese Yen ("JPY"), approximately RMB18,177,000 was denominated in Mexico Peso ("MXN"), approximately RMB7,967,000 was denominated in HKD, the remainder of approximately RMB58,000 was denominated in other foreign currencies.

As a result of the constant expansion of overseas sales and the drastic fluctuation in the currency market, the management of the Group expressed great concerns on the foreign exchange risks, and would take the exchange rate expectations of relevant currencies into full consideration when deciding the billing currency for relevant businesses. The Group controls and mitigates foreign exchange risks by closely monitoring the size of its assets and liabilities denominated in foreign currencies in day-to-day operations and by selecting local currencies as settlement currencies appropriately according to the Group's overseas strategic deployment to reduce the size of businesses denominated in foreign currencies. Meanwhile, the Group also uses forward exchange contracts, currency swaps, options, interest rate swaps and other financial derivative products to further prevent interest rate risks and foreign exchange risks.

CONTINGENT LIABILITIES

As of 30 June 2020, the Group had no contingent liabilities (31 December 2019: Nil).

MORTGAGED ASSETS

As of 30 June 2020, the Group had borrowings of approximately RMB333,099,000 and issued bill payables of approximately RMB444,769,000 due within 9 months, which were pledged by bill receivables with par value of approximately RMB168,986,000 and bank deposits of RMB376,500,000. The borrowings are to be settled in RMB (31 December 2019: the Group had borrowings of RMB50,000,000 and issued bill payables of approximately RMB228,097,000 due within 6 months, which were pledged by bill receivables with par value of approximately RMB260,959,000 and bank deposits of RMB500,000. The borrowings are to be settled in RMB).

CAPITAL EXPENDITURE

Capital expenditure includes the acquisition of property, plant and equipment, the increase in construction in progress and the addition of land use rights. During the Review Period, the Group's capital expenditure amounted to approximately RMB965,214,000 (the same period in 2019: approximately RMB746,332,000), which was attributable to the fact that, aligning with the development trend of the automobile industry, during the Review Period, the Group implemented intelligence development strategies and took the initiative in establishing an intelligent industrial park for future automobiles, as well as further expanded the R&D on battery-housing and other innovative products and its overseas production capacity layout. Meanwhile, to partially offset the impact of the lower utilisation of production capacity arising from the downturn of PV market, the Group continued to exercise prudent control over the capital expenditure in accordance with the asset-light strategy, and adopted a stringent approval process in respect of investments in fixed assets for traditional product lines.

MATERIAL ACQUISITIONS AND DISPOSALS

The Group had no material acquisition or disposal of subsidiaries, joint ventures and associates during the Review Period.

EMPLOYEES

As of 30 June 2020, the Group had a total of 16,156 employees, decreased by 1,584 as compared to that as of 31 December 2019. The decrease was mainly due to the optimisation of the Group's organisation, the promotion of automation and technology upgrade, the improvement of staff efficiency, the enhancement of informatisation driven by digital transformation and personnel optimisation in response to the impacts of COVID-19 during the Review Period.

During the Review Period, the Group strived to establish a culture of "love — demanding and caring". Based on its common core values and code of conduct, the Group united its staff with care and facilitated their overall wellness, unleashed their potentials with high demands, and ensured the entire workforce accomplished its mission and achieved the organisational targets. During the Review Period, the Group formed an emergency response team to control the pandemic and counter its impacts in a proactive manner. External resources and policies were fully utilised to effectively handle the pandemic crisis and promote prompt resumption of work and production. Meanwhile, the Group also expedited the transformation and upgrading of internal management and expansion in external business opportunities. A 24/7 care hotline was established to accompany the staff round the clock, listen to their thoughts, and provide timely assistance to employees in need. On the foundation of advocating the idea of overall wellness, the Group has organised 10 Holistic Empowerment Camps since April 2020, in which over 300 middle-and-senior-level management participated, with a view to encouraging the Group's employees to live a beautiful life with love, value and overall well-being.

Against the backdrop of revenue downturn resulting from the global pandemic, the Group conducted rational control over headcount and labour costs, enhanced staff efficiency through specific initiatives and promoted human resources informatisation to assist centralised management of global human resources information and data. As the global BU organisation came into operation and gradually improved, the Group further probed into its organisational structure. To foster an upgrade in governance, the Group commenced a transition from a model of operation management to that of strategic management since 2020, clarifying the Group headquarters' positioning on strategic management, investment and merger and acquisition, management design and resource construction, as well as redefining the framework and functions of the headquarters organisation. BUs are vested with adequate power to enhance their operation efficiency, so that their functions are further improved. Construction of the Group's shared service centre is also deepened to satisfy business needs. To accelerate overseas expansion, the Group initiated the construction of plant and recruitment of talents in the Czech Republic. In the meantime, it continued to increase comprehensive support and culture adaption trainings for regions with international talent flows.

For talents grooming, the Group continued to introduce the E-learning platform and develop E-learning resources to promote an enhancement in learning atmosphere among its employees. Based on its organisational strategic development needs, the Group placed great emphasis on improving the capabilities of its talent reserves in digitalisation and transformation management to support its digital transformation strategy, continued to develop talents' international competence in order to procure a strategic deployment of international talents, and deepening organisational synergies to motivate leaders to guide the team with vision, create synergies through innovation, and rejuvenate the organisation.

Share Option Scheme

The Company has adopted a share option scheme (the "Share Option Scheme") on 22 May 2012. The Share Option Scheme aims at granting share options (the "Share Options") to those qualified persons who have contributed or will contribute to the Group as a reward or incentive.

No share options have been granted by the Company during the Review Period.

On 28 July 2020, the Board of the Company granted share options to a group of eligible participants (the "Grantees") to subscribe for a total of 28,000,000 shares of the Company, allowing the Grantees to exercise such Share Options starting from 1 July 2021 to 31 December 2025 (both days inclusive). The price per share payable by the Grantees upon exercising the Share Options was determined pursuant to the Listing Rules and with reference to the closing price as stated in the daily quotation sheet of the Stock Exchange on 28 July 2020 (i.e. the date of grant). The Directors considered that the grant of such Share Options would not lead to any material adverse impact on the financial conditions of the Group. Further details of the grant of Share Options mentioned above are set out in the Company's announcement dated 28 July 2020.

FUTURE PROSPECTS AND STRATEGIES

Under the influence of the pandemic, there was a short-term suspension in the production and delivery schedules of the industry chain in China's automobile market during the Review Period. However, with the gradual alleviation of the impact of the pandemic, the continuous drive of the policies adopted by the central and local governments, such as the relaxation of purchase restrictions, tax reduction and exemption and consumption subsidies, as well as the diverse range of measures taken by automobile enterprises to advance the resumption of work and production as a matter of top priority, the automobile production and sales witnessed a steady recovery and maintained a positive momentum. The China Association of Automobile Manufacturers has recently estimated a 10%–20% decrease in sales volume for 2020. In connection with passenger vehicles, the mid and high-end market was relative stable in anticipation of sound performance for the second half of the year, while the low-end market is expected to dwindle further and Chinese brands with more exposure to compact or economy models may be subject to even more difficult challenge. In connection with the NEV market, while it is hopeful to see a significant half-on-half improvement in sales for the second half of the year, market sales was generally lacklustre during the Review Period owing to a number of factors, such as massive retreat of subsidies, weakened consumer sentiments, limitations in mileage range and insufficient charging infrastructure, etc., and an industry reshuffling for the NEV sector looks imminent.

The economic prospects for the second half of the year are less than optimistic, as worldwide economic suffered from recession after being adversely affected by the COVID-19 pandemic during the Review Period, coupled with the restructuring of the global industry chain and supply chain aggravated by trade protectionism resulting from rapidly escalating uncertainties triggered by global and regional political and economic frictions, which has created further downside pressure for the economy. The global automobile industry will face more difficult conditions and challenges against the backdrop of the continuous economic growth slowdown and escalating trade frictions. According to the estimates of IHS Markit, the global market for light vehicles is expected to trend in close tandem with a "V-shaped" recovery.

With the ongoing advance of the four disruptive trends, besides China, various developed countries across the globe have announced new policies to support the NEV sector and its related industry chain, which will further bode well for NEV related business. In connection with electrification, automobile enterprises will continue to focus on R&D and sales of NEVs to abide by China's Double Points Policy; under the emissions regulations promulgated by the European Union ("**EU**") in April 2019, the toughest ever announced, automobile enterprises could only meet the new standards by launching NEVs or low-consumption vehicles. In May 2020, the EU proposed a recovery plan to enhance policy support for the NEV sector, and the NEV market in Europe is set to embrace strong growth as European nations successively implemented policies encouraging the NEV industry. According to the estimates of LMC Automotive, the global market share of NEVs is expected to account for 15%–20% by 2025, while China and Europe will become the major arenas. As for intelligent features, more demanding consumer requirements for driving experience and value-added services throughout the entire car journey will drive the development, application and ongoing upgrade of technologies such as artificial intelligence, 5G and automated driving. In the near future, electrification and intelligence are expected to bring about a significant evolution in the overall ecology of the automobile industry. OEMs and system integration suppliers will work in closer partnership characterised by a higher level of interdependence. Standalone parts suppliers will find themselves in an increasingly precarious situation in the future, compelling enterprises to make breakthroughs in technologies, expand their businesses and tackle demerits through strategic cooperation, reorganisation, and mergers and acquisition in preparation for the era of system integration.

The Group will actively address the severity facing the automobile industry and the challenge of de-globalisation resulting from the continual impact of the COVID-19 pandemic. The Group will closely monitor the changes in the macroscopic context of the industry to seize any development opportunities arising from the global automobile industry, while devising a strategic layout in tandem with global policies on NEV related industries and the trends of light-weight, intelligence and electrification in the automobile industry. The Group will further enhance its competitiveness in traditional products and reinforce its overall operations through improvement of quality, optimisation of cost and global capacity layout, and extension and upgrade of existing production processes, thereby further increasing its sub-segment market share for traditional products on a global basis. In the meantime, the Group will continue to increase its investment in the

R&D of new products, new technologies and new materials and diversify into new business segments to garner new driving force for its stable development in the long term.

The Group will further conduct strategic planning for all BUs to persistently enhance their operational capability, with a view to forging integrated competitive strengths in technology, cost, staff efficiency and resource application. In the meantime, the Group will also continue to improve the global layout of its BUs, bolster the operational capability of the overseas plants, and replicate the advantages of domestic and overseas plants in technology, management and talents to maximise sharing of technologies, talents and resources among its global operations and comprehensively enhance the global competitiveness of its products.

The Group will continue to drive MOS implementation with robust efforts, seeking consistent improvements to operations management at the preventive stage in order to lower operating costs and ensure ongoing development of its standardised operation capability. Moreover, the Group will conduct evaluation of the BUs from seven dimensions and the aspect of early product management, and swiftly procure the promotion and replication of Bronze Plant standards at all BUs to ensure effective implementation at all plants. The Group will continue to complete the MOS talent allocation and building of succession teams for all BUs by resorting to the methodology of LUTI (Learn/Use/Teach/Inspect). Meanwhile, MOS concepts and standards will be incorporated into the operational focus of digital transformation and Future Factory, with an aim to end-to-end coverage of the full value chain.

The Group will carry out the replacement and upgrade of its global application system through digital transformation, in a bid to develop a data standardisation system with Minth characteristics and link up the business process systems for research, production, supply, sales and services for the establishment of a global operation and management platform, finalising the transition of the Group's management from experience-based to data-based decision making in support of its globalised operation and sustainable outstanding performance. In the meantime, by setting a benchmark in each BU, the Group targets to form "one uniform business process, one uniform set of data standards, one system platform" on a global basis and nurture "one professional team".

The Group is fully committed to the construction of a digital world underpinned by omni-sense, omni-connection, omni-scenario, and omni-intelligence through in-depth application of new-generation digital technologies. On that basis, the Group aims to optimise and remould physical businesses, and innovate and reshape traditional models of management, operations and business to attain business optimisation and success. The Group is also committed to assisting enterprises in the construction of humanistic plants characterised by high efficiency, energy conservation, eco-friendliness, operational safety and comfort through digital transformation, as well as technical platforms with functions to sense, learn, make decisions, execute and adapt in an automated manner.

The Group will continue to work closely with third-party partners to introduce best practices for the construction of intelligent industrial parks and provide the best humanistic experience with the aid of state-of-the-art technologies, so as to build Minth Future Factory into a benchmark among the advanced enterprises in China. Meanwhile, the Group will also procure the horizontal dissemination of its experience and resources, in a bid to complete the transformation and upgrade of subsidiaries within the Group, and based on which the Group also targets to develop its new business format of external services by replicating the Future Factory experience for medium-sized enterprises in neighbouring regions and beyond in China.

The Group will strive to balance and optimise its investment portfolio and value chain layout in the global market and further cultivate its excellent operation ability, in order to better manage risks and uncertainties arising from the economic development and achieve value positioning in a more flexible manner. In addition to its focus on the development potentials of Chinese market, the Group will also vigorously develop new markets on a global basis and seek further cooperation with governments of various regions. In an era of opportunities and challenges, the Group will, on the foundation of Future Factory, drive with full force the planning and development of its digital transformation and upgrade to seek swift improvements in its digital ability. Meanwhile, the Group will offer more modularised product solutions and customised products and services to its clients by upgrading and renovating its traditional products while developing new products.

PURCHASE, SALE OR REDEMPTION OF THE LISTED SECURITIES OF THE COMPANY

During the Review Period, the Grantees of the Share Option Scheme exercised 1,279,000 Share Options in accordance with the rules and terms of the Share Option Scheme and 1,325,000 Share Options lapsed as a result of the resignations of grantees.

Save as disclosed herein, there was no purchase, sale or redemption by the Company or any of its subsidiaries of any listed securities of the Company during the Review Period.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE AND THE MODEL CODE

The Company's corporate governance practices are based on the principles and code provisions as set out in the Corporate Governance Code (the "Corporate Governance Code") set out in Appendix 14 to the Listing Rules. None of the Directors is aware of any information that would reasonably indicate that the Company did not, at any time during the Review Period, comply with the Corporate Governance Code.

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as the Company's code of conduct and the code for dealing in the Company's securities by all Directors. Having made specific enquiries to all Directors, the Directors confirmed that they had strictly complied with the standards stipulated under the Model Code during the Review Period.

MATERIAL LITIGATION AND ARBITRATION

On 11 April 2014, the Company was served with a petition by the Securities and Futures Commission ("SFC"), the details of which were set out in the Company's announcements dated 14 April 2014, 29 May 2014, 9 July 2014, 25 October 2019 and 6 November 2019 and its 2015–2019 annual reports.

On 31 August 2016, the SFC amended its petition in the court proceedings to add further particulars. The trial for the court proceedings was scheduled from 14 October 2019 to 15 November 2019 (with 29 November 2019 reserved for closing submissions).

The Company was informed by Mr. Chin, former executive Director, that he was agreeable to settlement in the interest of saving time and costs and issued the summons on 18 October 2019 for excluding three private companies from the order disqualifying him to act a director, liquidator, receiver or manager of the property or business (the "Summons"). A set of settlement proposals agreed by the SFC and the other defendants and the Summons were put before the High Court for its approval at a court hearing held on 23 October 2019.

On 6 November 2019, the High Court made an order in respect of Mr. Chin and Mr. Zhao Feng, former executive Director, the details of which were set out in the Company's announcements dated 25 October 2019 and 6 November 2019.

On 7 July 2020, the High Court made an order dismissing Mr. Chin's application for exempting the three private companies from the disqualification order, the details of which were set out in the Company's announcement dated 7 July 2020.

Save as aforesaid, the Group was not engaged in any litigation or arbitration of material importance during the Review Period and up to the date of this announcement.

AUDIT COMMITTEE

The consolidated results of the Group are unaudited but have been reviewed by the Company's external auditor. The Audit Committee of the Company consists of three independent non-executive Directors, namely Mr. Wu Tak Lung (chairman of the Audit Committee), Ms. Yu Zheng and Dr. Wang Ching. The Audit Committee reviews the Group's internal control systems, the completeness and accuracy of the Group's financial statements and liaises on behalf of the Directors with the external auditor. Members of the Audit Committee will meet regularly with the management and external auditor to review the audit reports as well as the interim and annual financial reports of the Group. The Audit Committee has reviewed the unaudited condensed consolidated financial statements for the six months ended 30 June 2020 and this interim results announcement, and recommended the adoption by the Board.

By Order of the Board
Minth Group Limited
Wei Ching Lien
Chairperson

Hong Kong, 28 August 2020

As at the date of this announcement, the Board comprises Ms. Wei Ching Lien, Mr. Chen Bin Bo and Ms. Chin Chien Ya, being executive Directors; and Dr. Wang Ching, Ms. Yu Zheng and Mr. Wu Tak Lung being independent non-executive Directors.